

MID-ATLANTIC REGIONAL COUNCIL FOR SMALL BUSINESS TRAINING AND ADVOCACY

Minutes of Meeting, Lancaster, PA – October 13-14, 2004

Next Meeting: January 19 and 20 (Executive Board meeting on January 18),
Wilmington, Delaware, Hotel DuPont.

Attendees: There were 51 attendees at the two-day meeting.

Introductions: Christine Haber, Education Committee Chairperson, opened the meeting at 8:30 a.m. and invited attendees to introduce themselves.

Committee and Officer's Reports:

Governance Committee, Bonnie Maliszewski:

Bonnie announced that the council was looking for members to fill two openings:

- The current Vice President, Diane Broadway, resigned her position effective immediately, due to a change of job;
- The current Membership Committee Chair, Tom Kobezak, is resigning that position.

As of 18 November 2004, in accordance with the Council By-Laws, Mark Opilla, Council President, appointed the following individuals to the current vacancies:

- Thomas Kobezak, Vice President;
- Nina Evans, Membership Chairperson.

Planning, Helen Katz

Registration information will be released shortly for the next meeting on January 18 (Executive Board Meeting), 19 and 20 (Council Meeting), in Wilmington, Delaware. Reservations will be accepted by Hotel DuPont at the government rate until December 17. Members are encouraged to register early.

A vote was taken on whether members in attendance preferred that the spring meeting be a joint council meeting in North Carolina or a regular MARC meeting in Williamsburg, Virginia. On the second day of the meeting, Ms. Katz announced that the majority favored a regular MARC meeting in Williamsburg, VA.

Secretary, Carol Decker

The Executive Board is offering letters to member's activities, offices, or companies addressing ongoing support of MARC participation. An email request for support letters and samples of the letters will be issued to the members after the October meeting; requests for letters will be accepted until November 12, with the correspondence to be released in early December. Direct any questions to Carol.Decker@sba.gov or Carol.Decker@Navy.mil.

Awards Committee, Gerald Furey

The council is pleased to announce that it will initiate two awards this year, one for individual support and one for team support. Instead of specific criteria, selection will be based on participation with the council and overall Small Business program support.

Nominations for the Individual Award are open as of the October meeting and are due by December 15, 2004, for presentation at the January meeting. Members are invited to nominate themselves or others. At this time, only individual nominations are being accepted.

Nominations for the Team Award will be due sometime in March 2005 for presentation at the Spring meeting.

Questions and nominations should be addressed to Gerald.Furey@navy.mil.

Membership Committee, Tom Kobezak

The Membership Committee is responsible for handling meeting registrations and distributing information. Tom is resigning as chairperson after the January meeting, and is looking for volunteers to replace him. (Note: see the Governance Committee report.)

Communication Committee, Diana Mukitarian

Website enhancement ideas were welcomed and discussed. Suggestions offered include having the ability to edit and delete registration information, along with the addition of a Help button.

Presentations and Speakers:

Kevin Boshears, Director, Office of Small Business and Disadvantaged Business Utilization, Department of Homeland Security.

Balancing Acquisition and Small Business Objectives: A Partnership Approach.

“Typically, what do senior managers at your agency know about the federal procurement process? Very little,” said Mr. Boshears. He said that he is testing a theory that includes getting senior management and program management support while making the process clear. To make the program work, he believes that you must have the support, an effective small business office, a basic understanding of the role of small businesses, and buy-in to the program.

He has focused DHS on the basics of the small business program, in that it is both prime and subcontracting opportunities, while reminding participants of the FAR 1.102 guiding principle which defines the vision and gives a common set of objectives. He said that the key is to “maintain public’s trust and fulfill public policy objectives” in this case meaning that small business is the public policy objective.

The participants should work as a team and be empowered to make decisions. Often the dilemma is how to meet both acquisition and small business goals. He suggested using a

partnering approach where the team is the contracting officer, small business specialist and the program manager, all of whom have a common agency mission.

There are acquisition objectives (e.g., best value, time, price, quality, etc.) and small business objectives (e.g., published policy, opportunities for 8(a), HUB Zone, Veterans, Subcontracting, etc.). He asked, “How do we strive to meet both acquisition and small business objectives? The challenge is to get them to understand that we want them to do both.”

Using the team approach, the program manager gets work done via contracting process, while the contracting officer’s role is to execute a contracting vehicle. We can take advantage of the team approach to meet long-term program objectives. The program manager has the money and the contracting officer has charge of executing the contracting vehicle. The small business programs fit the process by meeting acquisition objectives and supporting the mission. He said, “If I could boil it down to one definition the Small Business Specialist should be a sourcing specialist.”

According to Mr. Boshears, you should approach a program manager with evidence and facts – market research. When recommending sources or a program we want to be confident that there are good sources. Contracting officers want to avoid a protest and avoid finding that a company can’t do the work. He recommends identifying small businesses of all types who can help meet acquisition objectives, and said that at DHS it seems to be working. As a new agency, they set out to do this from the beginning.

He said that DHS uses outside resources such as the PTACs to help identify sources on a regular, reoccurring basis, along with referring firms to them who need help getting started. There is a shared interest in using CCR/PRO-Net, visitors, and conducting outreach to small businesses.

In his experience, when small business owners are asked to name the number one problem facing small businesses today, they did not say that it was the maze of federal contracting, finding the right people to talk to, and not bundling. Instead, newcomers said that it was getting started; experienced firms noted the vast array of schedules, multi-award schedules, and GWACs, which don’t uniformly apply principles of FAR Part 19. When the government uses acquisition vehicles it can throw out the small business objectives. In response, he said that he takes schedule sources and limits the sources to small businesses, while noting that he’s aware that GSA disagrees with this approach. When placing order against vehicle or structuring a multiple award contract, he recommends that the government “adapt a small business friendly posture.”

Greg Beshore, Purchasing Manager, United Defense LP, and **John DeLallo, Jr.**, Procurement Manager, DRS Laurel Technologies.

Lean Manufacturing. According to Mr. Beshore, Lean Manufacturing is a set of principles, concepts and techniques designed for relentless pursuit in eliminating waste. The goal is to produce efficient just-in-time production systems that will deliver to

customers what they need, when needed, in the right quantity and quality, at the lowest possible cost. In providing this description, Beshore noted that the things that worked last year may no longer be good enough, so they are always looking to “embrace successful methodology that redefines the way we do things. Be an example in the industry and leave the competition wondering how they’ll keep up.”

UDLP’s journey to initiating Lean began in the fall of 2001, when they visited the University of Michigan to obtain certification. Following that, they trained teams and leadership and created their vision at MANTEC, York. The Components Manufacturing Site was selected as the pilot site. In the spring of 2002, implementation planning began. Key managers in the plant were assigned and dedicated to the project. Benchmarking diverse business segments was key. In September 2002, UDLP went to Boeing’s second annual Lean Management Solutions Conference; September 2003 was the AIW Workshop Training. Mr. Beshore said, “Lean is about training and utilizing people.” The goal is to drive decision-making down to the lowest level, using team problem solving, to achieve continual improvement and focus on how the customer perceives value.

He described nine-steps UDLP took to implement Lean:

- Conduct value stream mapping and analysis;
- Balance the line;
- Standardize the work so that everybody is doing things same way;
- Put visuals in place, e.g., workers can see if they are on schedule;
- Implement point of use staging so that materials are close to assemblers;
- Establish feeder/supply chain lines, recognizing that supply is critical to success;
- Break-through process redesign along main line;
- Convert line to a pulse line;
- Convert to a moving line that is continuously flowing.

Visual Factory: Removed tool boxes and created a fully stocked workstation. The goal was to “get the material close to the person working – clean everything up,” said Mr. Beshore. Ergonomics, safety and health were main considerations.

Lean Supply Base Implementation: They partnered to eliminate waste and build value, consolidating their supplier base from some 1200 firms to about 400. The company moved to certified suppliers; currently 65% of the supply base is certified. This enables them to eliminate receipt inspection. Other steps included working to establish long-term agreements, eliminate material handling, and use pull-based execution where a supplier doesn’t ship a part until signaled to do so.

Supplier Teaming: Eliminate waste (Muda) by kitting hardware and keep the assembler as close to the work as possible.

Measurable Benefits: The company has experienced improved cycle time, hours per vehicle, and reduced inventory for both Bradley Turret Assembly Line and Bradley Tank Assembly Line. The next area of focus to apply Lean will be engine and gear. The

initiative was approved in August 2004, training was conducted in September, and now they are working on design/flow.

Procurement Initiatives: They are collaborating with Pennsylvania's OEM Consortium, working with MANTEC and the Pennsylvania Department of Labor to fund supplier training.

The Lean Key Supplier Kickoff was held in March 2004 with 22 suppliers attending. In September 2004, they received some state funding to train suppliers.

John DeLallo said, at DRS Laurel Technologies "we've bought into Lean Manufacturing." For example, at his firm on the A20DS cables, they mapped the process, and created a manufacturing cell to support a one-piece flow to maximize our labor and tooling thereby reducing hours by 52%. In Sleeving and Marking, they reduced travel time in and across the plant, increased value-added tasks, and reduced area square footage, all of which resulted in a 50% improvement of cycle time.

Dock-to-Stock was one of first areas to attack, reducing the time it took to process material. Implementing Lean and partnering with UDLP were smart moves for DRS. They can take the process improvements and move them throughout the plant. According to Mr. DeLallo, "Lean Manufacturing for us had to come from the top and be driven down. That's how it happened at DRS Laurel Technology." It's a continuous operation; training is needed for everybody. He added, "We have the vision at Laurel Technology because we've proven to ourselves how beneficial it can be." He pointed out that Lean Manufacturing saves you very little on the cost; where the savings kick in is that you are buying it smarter. He said that Lean can be applied to any process, advising to first look at total cost because that's where the savings are.

During discussion, Barbara Knox, UDLP, mentioned that they have worked closely with Pennsylvania Small Business suppliers, utilizing the Industrial Resource Centers to assess suppliers and help them get to the next step.

Garfield W. Boon Jr., Chief, Acquisition Management Division, Contracting and Acquisition Management Office, US Army Space & Missile Defense Command.

Improving Small Business Opportunities. When seeking to improve the small business program at the US Army Space & Missile Defense Command, Mr. Boon focused on how procurement has changed: increased use of oral proposals; importance of past performance; more multiple award contracts; performance specifications replacing other types of specifications; and increased reliance on electronic contracting.

When counseling small businesses interested in doing business there, he said, "we try to make them aware that the world is moving toward these trends." He tells them to "think twice before getting GSA contract, think three times about competing for Multiple Award Contract, and instead go after mentor-prot g " because he believes that you need to look at the return you're going to get for every method mentioned. According to Mr. Boon,

“A lot of small businesses don’t know what business we’re in, and that’s something they should find out before they come to us. Learn our business and then come talk to us.” He believes that small businesses should get more proficient at making oral presentations and they should consider hiring someone if that’s not something they are comfortable doing.

Specific suggestions to small businesses were:

- Show that you know and understand government contracting; keep your own past performance file so that you can refute poor evaluations;
- Identify your strengths and weaknesses;
- Save your bid and proposal costs when government use is mandatory to help make bid/no bid and make-or-buy decisions;
- Remember that Alternate Proposals can be sent as an unsolicited proposal and may be seen as a “better mousetrap”;
- Use debriefings as a learning tool to get more information. But, he cautions, “it’s not a legal challenge – leave your lawyers at home”.

Final suggestions he passed along were to remind small firms that they need to know and keep up with the changes to FAR Part 15, work on responding better to performance specifications, and to consider “going digital” to be more efficient – position themselves to be ready for government credit cards; ready to go electronic.

Janice Buffler, Director, Small Business Program, Pentagon Renovation and Construction Program.

Multi-Tier Subcontracting Database. The Pentagon Renovation and Construction Program is a temporary program, lasting until 2010. In November 2002, she started to develop an online database for subcontracting data – both direct and indirect - to be entered monthly by the prime contractors and their subcontractors. The initiative went live in June 2003 and is located on their secure web.

Using the FAR subcontracting clause as a compliance tool, her command included an award fee in all contracts with a socio-economic program compliance evaluation factor. They replaced the SF 294/295 six-month reporting requirement to award fee quarterly or monthly data entries.

Describing how they “sold it” to their large business primes contractors and sub-contractors, she noted that the database calculates dollars and percentages for SF294/295 data, so by entering data they show good faith effort. While the requirement to submit SF 294/295s was not replaced, by entering the data more frequently large prime contractors have already done the work when they need to submit those reports. In addition, they allow firms to use it for their own briefings. She said, “Large businesses started to take ownership of the data” as they entered data regularly and saw progress toward goals.

Why do it? She noted that the database meets the SF 294/295 data-gathering requirement, allows them to respond quickly to Congressional inquiries, and allows

management of the subcontracting data beyond the first tier. In addition, using the Internet made sense, while standardizing eliminated misinformation and misunderstandings. The database allows an efficient way to report program-wide subcontracting activity to Program Managers when they want to follow subcontracting money beyond the first tier.

“We have about 6,000 subcontracting actions in database,” she said, “with about \$1.3 billion in subcontracting money”. She said that they can give full and immediate feedback and status, and they allow large businesses and subcontractors to search the database to identify small business for other program projects.

According to Ms. Buffler, “It was a joint effort of getting everyone on board to support the small business program.” She admits that it involves extra work, but at the end of the reporting period, large prime and subcontractors have already completed the required report. She noted that they are sharing the database structure with other agencies.

Dr. George B. Stoltzfus, Executive Director, Friendship Community, Lancaster, PA.

What every tourist should know about the plain community of Lancaster County before they have an “authentic” experience. Dr. Stoltzfus presented a history of the Anabaptists explaining that contrary to widespread belief, the original Anabaptists were Mennonites, with the Amish sect breaking off later. The name Anabaptist comes from being a group of reformers who disagreed with Martin Luther and others of his day in that the Anabaptists are opposed to infant baptism, believing instead that baptism should not occur until a person is old enough to fully participate. Dr. Stoltzfus outlined the history of the Anabaptist movement, described some of the persecutions suffered along with the migration and relocation to North America and throughout Europe. He shared stories of early settlers’ experiences, including that of his own family genealogy, and answered questions about the Mennonites and Amish in Lancaster County. Further information and a photograph of the Stoltzfus house can be found at http://www.tchslibrary.com/stoltzfus_house/. Following adjournment at 4:00 p.m., Dr. Stoltzfus conducted a tour of the Lancaster area.

The meeting resumed on October 14, at 8:30 a.m.

Thomas E. Trump, Assistant Deputy Commander, Contracting Management Directorate, Naval Supply Systems Command.

Strategic Sourcing. Strategic sourcing is an individual fact-based sourcing effort. As we move toward a smaller Navy, pressure continues to be the motivator for cost reductions, including that of reducing the cost of doing contracts. The emphasis is on delivering value while the focus is on price and cost reductions. We need to standardize rather than customize.

According to Mr. Trump, the first step in strategic sourcing is to profile the commodity. You must conduct supply market analysis, develop a commodity strategy, issue the RFX and negotiate. Finally, implement and manage performance.

When an opportunity is identified as a strategic sourcing candidate:

1. Calculate the volume anticipated, the geographic disbursement/location of suppliers, and the internal processes used both by our suppliers and us.
2. Perform supplier analysis, including market size profile, financial performance and industry capacity.
3. Develop a detailed cost structure and cost drivers for suppliers, which can aid in identifying possible negotiation layers – determine what can be impacted and what can't be.
4. Understand what drives the competitive behavior in a particular supply market.
5. Evaluate various strategies beyond basic spend consolidation for full benefit.

When performing DOD Spend Analysis or analyzing “Business Intelligence”, there are several factors to be considered:

1. Problems exist with the Navy's contract reporting system (DD350) in the form of incorrect codings and errors; there is not enough detail, and incomplete data.
2. DOD work includes socio-economic considerations.
3. There is geographic dispersion of the agency work.
4. There is no way to measure savings objectively.
5. DOD has existing consolidated contracts.
6. The agency includes organizational and cultural differences.

According to Mr. Trump, the recent establishment of Acquisition Councils was done with a purpose, “to develop a single acquisition strategy.” The goal is an integrated COMFISCS-wide acquisition strategy and contract execution to result in strategic sourcing/contract solutions available to customers on the DOD Email.

Noting that “the future of the contract specialist is being a business manager,” Mr. Trump anticipates the contract specialist being someone who matches customer requirements with the marketplace. With this strategy in mind, he discussed the DOD Commodity Councils, which are looking for commodity groupings. So far, there is one for administrative services and one for cell phones.

Some acquisition strategy success stories:

SeaPort 1 is a NAVSEA HQ service oriented tool for obtaining Professional Support Services. It is an electronic capability that allows customers to develop a statement of work and distribute it across multiple award contracts so that analysis is made competitively. It results in a task order award decision. He said, “The process itself has made it easier for customers to fill requirements, so they are more willing to use Navy resources to do so”. The customers don't go outside the structure to get it done.

SeaPort-e will expand to include all NAVSEA field activities. Included will be engineering support, administrative support, and technical support. By June of next year this will be open to four Navy commands. SeaPort-e includes a Small Business Strategy where the goal is that 68% of all prime contractors are small businesses and 33% of obligated money will go to small businesses. Currently 71% of money is going to small businesses; the effort includes cascading set-aside provisions.

Navy Emall is the site where contractors place supply items on Navy Emall and customers fill requirements electronically using a purchase card. Contractors can post their catalogs there; competitive forces keep prices down. According to Mr. Trump, “Emall creates an environment where we can begin to capture data at a detailed level on how we spend.” The Navy as a whole spends \$2 billion a year using purchase card. It is anticipated that the Emall purchase use will expand within Navy to include individual transactions up to \$100,000. The Department of Homeland Security is using the Emall but is limiting individual buyer choices among items available. Emall allows purchasing at wholesale prices rather than paying retail in individual stores and includes mandatory sources, such as covered by the Javits Wagner O’Day Act (JWOD).

“Our goal,” said Mr. Trump, “is to provide each of our customers with a strategic sourcing strategy for every requirement.”

Jack Beecher, Deputy for Small Business, US Army Corps of Engineers, Norfolk District.

How Norfolk District Improved Its Small Business Program.

Mr. Beecher presented fifteen points on how the Norfolk District worked to increase small business goals after they didn’t reach targets one year:

1. Increased use of authorized set-asides where we’re able to.
2. Put small business targets into the Performance Appraisals of Chief of Contracting, PMs, Contracting Officers, and Project Managers.
3. Used awards and incentives for support of small business program. Both monetary and non-monetary awards and incentives were used, with examples of non-monetary including memos from Small Business Deputy, or memos from higher authority.
4. Increased Executive Staff Support. To do this, he said, “I talk to them about the importance of the program. Without their support all the other things I’m trying just won’t do it. You have to have top-down support.”
5. Included training for every new change to the program, because “If they don’t understand it they’re less likely to support it.”
6. Encouraged Technical Staff Attendance at small business conferences because it allows them to meet small business contractors.
7. Became involved in early acquisition planning, including Market Surveys, and using CCR/PRO-Net.
8. Ensured there was less bundling, which is not a common problem in construction and environmental contracting.

9. Increased the focus on small business programs from Program Management supervisors to staff.
10. Ensured there was accurate and timely reporting by reviewing all DD Form 350 Individual Contracting Action Reports, or at least the ones important to the small business program.
11. Increased participation of technical staff at capability briefings. When they brought in an 8(a) firm, it was important to have technical staff there, too.
12. Included use of IDIQ small business contracts, noting that they “don’t just set them up - use them.”
13. Included use of mentor-protégé relationships on design/build projects. He said, it was “my job to convince Program Managers to do an 8(a) compete, because I had four 8(a)s with Mentor-Protégé agreements who can bring in a team to do the work. ”
14. Increased the focus on small business programs from the Chief of Contracting to staff, suggesting “ask the Chief of contracting to just mention small business” when talking to staff.
15. Increase the amount of Small Business Deputy activity, because “I have to be active and get out there. I have to be vocal and active to make it work.”

Results

	FY2001	FY2004
SB	42%	52%
SDB	22%	36%
WOB	7%	8%
HUBZone	1%	19%
SDVOSB	0.1%	2%

His final suggestion was when seeking to meet the Women Owned Small Business goal, look for combined WOB-HUBZone firms, WOB-8(a) firms, and WOS-SDVOSBs. He identified the small businesses and then sent them an email to bring attention to the HUBZone, 8(a) or SDVOSB set-aside.

Carol S. Decker, Procurement Center Representative, US Small Business Administration, Area 2, Government Contracting Office.

An Overview of Contracting Activity Surveillance Reviews and Prime Contractor Compliance Reviews.

Surveillance Reviews: They are performed to evaluate overall effectiveness of a contracting activity’s small business program, the program’s impact on small businesses, and to enable SBA to recommend changes for improvement.

Background: The SBA revitalized the surveillance review program in FY03. Selected activities are notified and sent a preparation checklist and request for information to be completed and returned prior to the review. An on-site review is scheduled to last from three to five days, which is followed by a formal report and rating. The final report is sent to the agency HQ, providing observations, deficiencies found, and recommendations

for improvement. The rating, if marginal, will include follow-up reporting. The final report consists of four parts – statistical reporting over three years, small business program management, regulatory compliance, and strengths/weaknesses observed.

Statistical Reporting – includes program goals and actuals over a three-year period, which will be analyzed to identify strengths, weaknesses and trends.

Small Business Program Management – examines how the contracting activity's (CA) small business program is managed and the effectiveness of advance procurement planning relating to small business impact. The small business specialist's (SBS) role is evaluated, as well as the amount of HCA support provided to the program.

Regulatory Compliance – contract files are reviewed to determine whether regulatory criteria are applied, clauses included and required actions are taken.

Strengths and Weaknesses – special initiatives are noted, and weaknesses discussed which were not included elsewhere.

Following the on-site review, a final report with an overall rating is sent to the activity via agency channels; a response to the report is requested including actions planned to alleviate deficiencies. Follow-up reviews may be planned for marginal ratings. It was noted that after two years of approximately 24 contracting activities per year, the SBA may use the information collected to conduct nation-wide training before conducting additional surveillance reviews.

Compliance Reviews: Subcontracting Compliance Reviews are performed to evaluate the overall effectiveness of an other-than-small prime contractor's small business program, to evaluate the program's impact on small businesses, and to enable SBA to recommend changes. The Small Business Act makes the SBA responsible for monitoring subcontracting, while FAR makes DCMA responsible for monitoring subcontracting when they administer a contract. A Memorandum Of Understanding between SBA and DCMA clarifies which will perform compliance reviews.

Conducted similarly to surveillance reviews, before the actual compliance review takes place, a preparation checklist is sent to the prime contractor. The checklist questions cover many areas, including background information, sourcing, validation of Standard Forms 294 and 295 data, five-year trend analyses, management support, training and outreach efforts, assistance provided to small businesses, success stories, and action taken since the last SBA program review.

Seven main elements are reviewed:

Validate the methodology for preparing reports of contracts awarded to all categories, examine the purchase order journal or computerized process and verify a sampling of purchase orders to small businesses in all categories, including certifications.

Conduct a five-year trend analysis of how the contractor has utilized all categories of small businesses.

Evaluate the contractor's overall internal dedication and commitment to its program. Sample contracts with subcontracting goals to determine actual achievements and to ensure that the contractor has implemented specific provisions contained in the plans.

Analyze purchase orders analysis, including awards to non-small businesses, efforts to include small businesses, documentation when no small firm is included, and flow-down issues when applicable.

Follow-up on sourcing efforts to determine the status of small business sources.
Follow-up prior recommendations made by the CMR.

The SBA sponsors awards for subcontracting program success: Award of Distinction for review ratings of Outstanding; Dwight D. Eisenhower Award for Excellence for superior subcontracting efforts in construction, manufacturing, research and development, service, and utilities; and the Francis Perkins Vanguard Award for awards to women-owned small businesses.

Additionally, prime contractors should strongly consider recognizing outstanding small business subcontractors by submitting a nomination for the Small Business Subcontractor of the Year. Nominees will received the SBA Award of Excellence, and first compete on a regional basis with regional winners moving into national competition. Nominations are currently being accepted for this award.

The meeting adjourned at 12:00 noon, October 14, 2004.